

23rd July 2020

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E. Washington, DC 20549

Re: File No. S7-08-20; Reporting Threshold for Institutional Investment Managers (SEC Release No. 34-89290)

Dear Ms. Countryman,

BondView is pleased to respond to the request for public comment from the Securities and Exchange Commission (the “Commission”) on the proposed change to the reporting thresholds under rule 13f for fund managers.

Summary: We respectfully disagree with the proposal to increase the reporting threshold from \$100m to \$3.5bn since we believe it would be disadvantageous to retail investors. If a publicly traded fund enjoys the benefits of being traded in the U.S. public market, then its reasonable for the investing public to expect complete transparency of all fund holdings rather than only those funds over \$3.5bn in market value.

BondView’s mission includes helping improve transparency for retail investors by providing market data and analysis on the \$3.7 trillion municipal bond and fund marketplace which includes about 1.5 mil bonds from 50,000 issuers. Our comments below are focused on the municipal bond fund marketplace but apply to other funds as well.

1) Rather than remove 13f filing requirements on publicly traded funds below \$3.5bn, we suggest a requirement for complete reporting by ALL publicly traded funds regardless of size.

Detailed fund holdings data, as provided through 13f filings, can be used by investors to assess the real risk and liquidity of the funds they own by reviewing the actual contents of the fund. Many fund strategies give significant leeway to the manager to invest in a wide range of securities outside the obvious advertised scope of the fund. This leeway would not necessarily be revealed to retail fund investors if fund holdings were no longer reported and funds could conceal investments which fund investors might not be comfortable with. Requiring complete transparency helps ensure investors are not subject to buying into unsuitable investments. The following is an example where if the proposed 13f rule change were to become law, retail investors would be at a severe disadvantage because of hidden risks in their fund investments.

Figure 1 on the following page shows fund holdings data derived from BondView as of July 22, 2020.

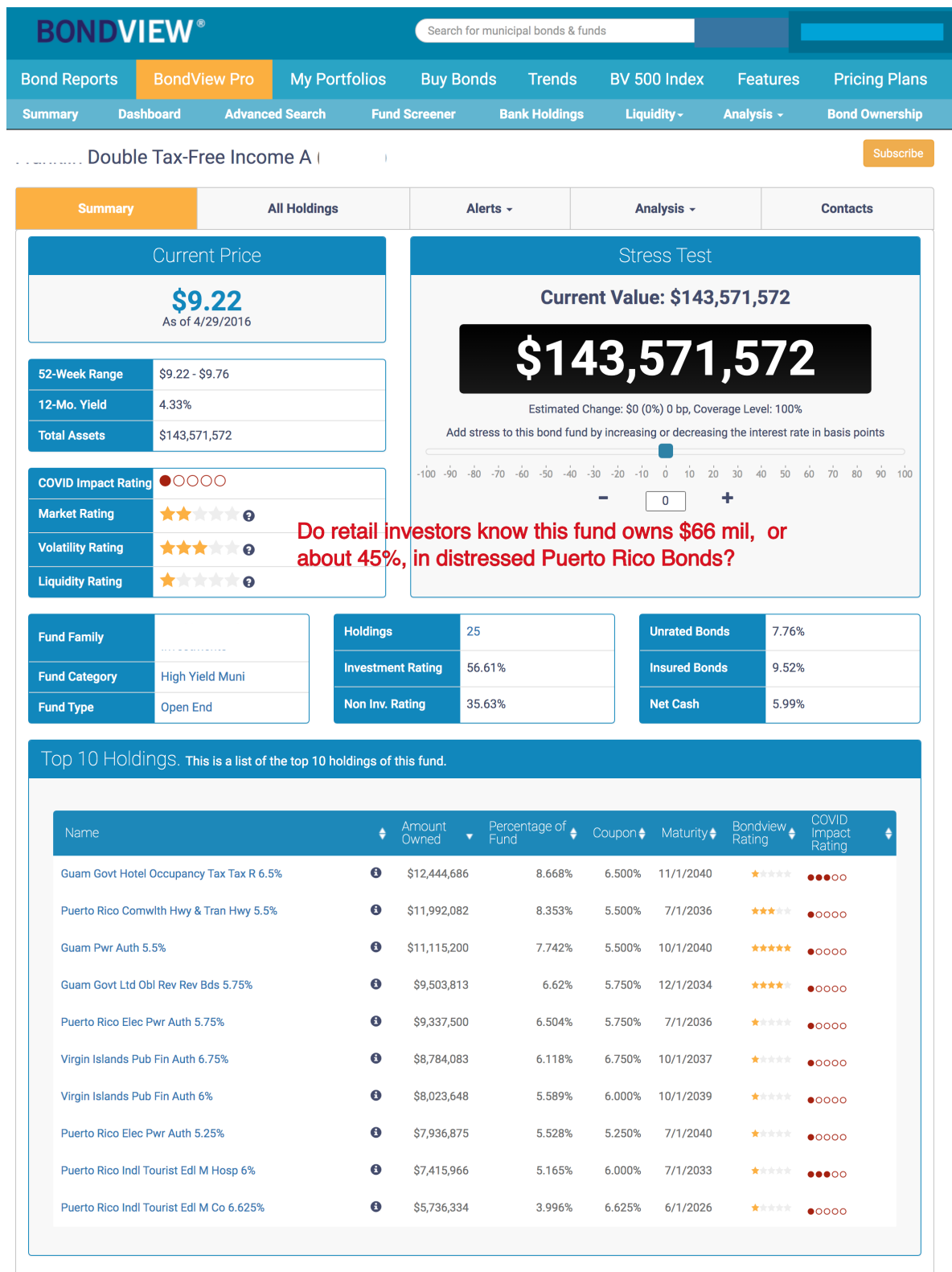


Figure 1 BondView Fund Example. Contact Us For Details On This Exact Fund.

Figure 1 shows an example of a current publicly traded municipal bond fund with assets of about \$143m named **Fund Family XYZ Double Tax-Free Income A**. In our opinion, unless it was explicitly disclosed, it is unlikely the average investor can decipher that this fund owns about 45% of its bond holdings in mostly defaulted Puerto Rico bonds. If the proposed 13f

rule were enacted, retail investors and their financial advisors would have no way to know this fund is unsuitable for the average investor in a tax-favored municipal bond fund who is typically looking for a safe source of income.

The fund family name XYZ is anonymized but the remaining fund descriptive name, “Double Tax-Free Income A,” is real. However, this name is not descriptive as to its investment scope and instead investors could be led to believe they would be buying various “Double Tax-Free bonds”. Retail investors in tax-favored municipal bond funds are typically looking for a relatively safe source of income. We drilled down deeper to see this fund owns about 45% of its investment holdings in Puerto Rico bonds, most of which are deeply distressed.

Appendix A shows a list of all Puerto Rico bonds held by this fund. Since the fund’s total market value is below \$3.5bn, its holdings would not have been required to be reported under the SEC’s newly proposed loosening of rule 13f. Puerto Rico bonds are high-risk investments, partially due to their widespread default rates, and any municipal bond fund owning an undisclosed significant percentage of Puerto Rico bonds may be far riskier than investors were led to believe and is therefore unsuitable. All fund’s full holdings must be disclosed so that retail investors can make an informed decision rather than be saddled with a highly speculative investment.

2) All funds, regardless of market size, should be required to report their holdings down to the security identifier level. This is a concern with some municipal bond funds which do not include security identifiers (CUSIP, FIGI, etc.) in their current 13f filings. This results in masking their specific holdings since there can be multiple bonds in a series with the same name. Without the security identifier it is not possible to know which bond the fund owns and the associated risks.

A quick internet search reveals that some leading free financial sites do not report the detailed bond holdings for most bond funds which leaves retail investors in the dark. So rather than loosen 13f filing requirements, it would be beneficial for all retail investors if fund reporting was completely transparent regardless of fund size. In addition, all bond funds should be required to report their holdings down to the security identifier level (IE, CUSIP, FIGI). This help ensure that retail investors have a level playing field from which to make informed decisions.

3) Municipal bond funds below \$3.5bn represent the overwhelming majority of the number of funds and nearly half the total market value of all municipal bond’s funds. Under the proposed 13f rule change, the majority of municipal bond funds would no longer be required to report under a changed Rule 13f, thereby reducing transparency for all retail investors.

Municipal bond funds below \$3.5bn make up the overwhelming majority of all funds. Looking specifically at municipal bond funds, those below \$3.5bn comprise about 41% of all funds in total market value and 90.5% of the actual number of funds. Municipal bond funds bigger than \$3.5bn make up about 59% of all funds in total value but only about 9.5% of the actual number of funds.

4) A portion of market data vendors is made up of small businesses who rely on 13f data to create products that help improve transparency for retail investors. Eliminating 13f data for funds below \$3.5bn will stifle competition and further concentrate the information flow into the hands of a few large market data vendors.

Fund holdings data is used to feed important market measures of fund risk and liquidity. For instance, BondView has developed a municipal bond index ([BondView 500](#)) based in part on reviewing the fund holdings of municipal bonds. The central theme of this approach is to review widely & deeply held bonds owned by professionally managed mutual funds. Since funds employ smart credit analysts who review risk prior to making investing decisions, 13f filings enable us to see these filings, consolidate the holdings data and share that information with retail investors. BondView has also built a low-cost-thorough set of tools for complying with SEC Rule 22e-4 for [liquidity assessment](#) that relies on 13f holdings data.

Without complete fund data holdings, it will be very difficult for smaller vendors to continue to offer low-cost innovative tools that shed light onto the broad municipal bond fund marketplace. This could make it more difficult for investors to review and assess the true risks of their funds.

5) On the SEC's web site, there seems to be an overwhelming majority of comments against the proposed rule by the investing public.

We read thru all the published [public comments](#) on the proposed 13f rule change. As of 7/24/20, there were 869 comments on the proposed rule and about 99% of the comments were against the rule. It is worth noting that most of those comments seem to be from individual investors. This is appropriate since they are most potentially impacted by the proposed rule change.

In closing, it is our opinion that the proposed change to Rule 13f would irreparably harm the ability of retail investors to make informed investment decisions and therefore it should not be passed into law.

We appreciate the opportunity to provide our perspectives on the current proposal. If you have any questions or would like to discuss our views further, please contact me via email at Robert-at-Bondview.com

Sincerely

RK
Robert Kane
CEO BondView

Appendix A

BONDVIEW®

Search for municipal bonds & funds

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BondView Pro

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Trends

BV 500 Index

Features

Pricing Plans

Summary

Dashboard

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Bond Ownership

Double Tax-Free Income A

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Summary

All Holdings

Alerts -

Analysis -

Contacts

Export to CSV

Filters Hide

State

Puerto Rico

Sector

All

Maturity date from

Maturity date to

Market Rating

All

CUSIP

Name

Coupon min

Coupon max

Clear Filters

Filter

Show 25 entries

A detailed list of \$6 mil in Puerto Rico bonds owned by this fund.

Showing 1 to 14 of 14 holdings

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CUSIP	Name	Amount Owned	% of Fund	Coupon	Maturity	Last Traded	30 Day Avg Volume	State	Sector	Insured	Mar Rating
74529JKV6	PUERTO RICO SALES TAX FING CONV CAP APPREC-SER A	\$1,875,300	3.306%	0%	8/1/2033	2/11/2019		Puerto Rico	Tax-Revenue	N	★★★★
74529JHP3	PUERTO RICO SALES TAX FING FIRST SUB-SER	\$4,880,500	3.399%	6.5%	8/1/2044	2/11/2019		Puerto Rico	Tax-Revenue	Y	★★★★
74526QVX7	PUERTO RICO ELECTRIC POWER AUTHORITY POWER REVENUE BONDS, SERIES XX (PR)	\$7,936,875	5.528%	5.25%	7/1/2040	7/8/2020	\$36,764	Puerto Rico	Utility	N	★★★★
74526QWE8	PUERTO RICO ELECTRIC POWER AUTHORITY POWER REVENUE BONDS, SERIES XX (PR)	\$9,337,500	6.504%	5.75%	7/1/2036	7/20/2020	\$92,000	Puerto Rico	Utility	N	★★★★
745272EZ3	PUERTO RICO INDL TOURIST EDL REF-ANA G MENDEZ UNIV SYS PJ	\$1,800,000	1.254%	5.125%	4/1/2032	12/24/2018		Puerto Rico	Education	N	★★★★
745272FA7	PUERTO RICO INDL TOURIST EDL REF-ANA G MENDEZ UNIV SYS PJ	\$2,198,138	1.531%	5.375%	4/1/2042	2/1/2019		Puerto Rico	Education	N	★★★★
745272FB5	PUERTO RICO INDL TOURIST EDL REF-ANA G MENDEZ UNIV SYS PJ	\$3,193,750	2.224%	5%	4/1/2027	12/31/2018		Puerto Rico	Education	N	★★★★
74527JAC1	PUERTO RICO INDL TOURIST EDL MED & ENVIRONMENTAL CTL FACS FING AUTH REV COGEN FAC-AES PUERTO RICO PJ (PR)*	\$5,736,334	3.995%	6.625%	6/1/2026	6/2/2020	\$100,000	Puerto Rico	Environment	N	★★★★
745272EC4	PUERTO RICO INDL TOURIST EDL INTER AMERICAN UNIV OF PR PROJ	\$3,750,038	2.612%	4.5%	10/1/2029	4/30/2020	\$15,000	Puerto Rico	Education	N	★★★★
74527EFA1	PUERTO RICO INDL TOURIST EDL REF-AUXILIO MUTUO-SER A	\$7,415,966	5.165%	6%	7/1/2033	4/20/2020	\$20,000	Puerto Rico	Health	N	★★★★
745272CU6	PUERTO RICO INDL TOURIST EDL MED & ENVIRONMENTAL CTL FACS FING AUTH HIGHER ED REV REF-ANA G MENDEZ UNIV SYS PROJ (PR)	\$853,794	0.595%	5.375%	12/1/2021	7/25/2019		Puerto Rico	Education	N	★★★★
745181NB9	PUERTO RICO COMWLTH HWY & TRANSN AUTH HWY REV SER Y (PR)	\$11,992,082	8.353%	5.5%	7/1/2036	6/17/2016		Puerto Rico	General Obligation	N	★★★
16876QBF5	CHILDRENS TR FD P R TOB SETTLEMENT REV ASSET-BKD BDS (PR)	\$2,518,125	1.754%	5.5%	5/15/2039	7/20/2020	\$27,809	Puerto Rico	Tobacco	N	★★★★
74526LCZ4	PUERTO RICO HSG FIN AUTH AMT-SUB-CAP FD MODERNIZATION	\$3,235,770	2.254%	5.125%	12/1/2027	7/20/2020	\$61,777	Puerto Rico	Housing	N	★★★
Total Amount:		\$66,724,172									

Showing 1 to 14 of 14 holdings

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Figure 2 A Detailed List of \$6 Mil in Puerto Rico Bonds Owned By This Fund.